

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric Company To
Revise Its Electric Marginal Costs, Revenue Allocation,
and Rate Design. (U 39 M)

Application 06-03-005
(Dynamic Pricing Phase)

**COMMENTS OF THE UTILITY REFORM NETWORK
ON THE DRAFT TIMETABLE AND RATE GUIDANCE**

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February 28, 2008

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COMMENTS OF TURN

In accordance with the Assigned Commissioner's Ruling (ACR) of January 23, 2008, and revised schedule established for this proceeding by the Administrative Law Judge (ALJ) ruling of February 6, 2008, The Utility Reform Network (TURN) respectfully submits these comments on the draft timetable and rate guidance set forth in the ACR. TURN's comments here will focus only on residential rates, and therefore will be quite brief.

TURN appreciates the ACR's recognition that Assembly Bill No. 1 from the First Extraordinary Session of 2001-2002 (AB 1X) (Stats. 2001 (1st Ex. Sess.), ch.4), codified as Section 80110 of the Water Code, places significant restrictions on the changes that can be made to the *default* residential rate design in the near term. At the same time, TURN agrees that "opt-in" rate alternatives such as Time-of-Use (TOU) rates, Critical Peak Pricing (CPP), and potentially even Real Time Pricing (RTP) can and should be offered to the residential class to the extent that the necessary metering is available.

TURN's only concern with the terms of the ACR *for the period during which AB 1X remains in effect* relates to the language in the table that appears on page 4 of Attachment A. Starting in 2010, the table provides that: "For customers with interval meters: default PTR with flat rate . . ." It is unclear what is meant by "flat rate" in this context. If "flat" is meant to indicate only that the rates have *no time differentiation* other than the Peak Time Rebate (PTR), TURN agrees that such a rate would be compliant with AB 1X. However, if "flat" is intended to have its more common meaning in the rate design context -- that is, no differentiation by time **or** by the amount consumed -- then there is a problem. Both AB 1X (implicitly) and Public Utilities Code Sections 739(c)(1) and 739.7 (explicitly) *require* an "inverted" or "increasing block" rate structure for the residential class. TURN assumes that the reference in Attachment A to "flat

rate” was probably intended to refer only to the lack of time differentiation. However, if the intent was otherwise, TURN cautions the Commission that a “flat” residential rate structure that lacks any tiers that increase with usage (with or without PTR) would be unlawful.

For the period *after* the AB 1X rate protections end, Attachment A states (at page 1) that PG&E should, within 30 days, propose a *default* residential TOU rate with CPP, to be effective one year after the expiration of AB 1X. At the same time, the “Rate Design Guidance” set forth on page 5 of Attachment A states that: “Residential rates must [be] compliant with all relevant laws including Public Utilities Code Section 739 and 739.7 pertaining to residential rates.” Reconciling a “default residential TOU rate with CPP” with the baseline rate provisions of Sections 739 and 739.7 will be no easy task, and ultimately might even prove to be impossible. However, TURN submits that there is no need for this Commission to address such potential complications at this time, since the situation may not even arise for several years. Rather, TURN suggests that the language on page 1 of Attachment A be modified as follows:

<u>Proposal Date</u>	<u>Type of Rate</u>
30 days after AB 1X rate protections end	Propose default TOU with CPP with an effective date one year after AB 1X rate protections end. Proposal should give customers the ability to opt out to flat rate or TOU, <u>and address proposal’s compliance with Public Utilities Code Sections 739 and 739.7.</u>

This simple additional language would make it clear that the Commission does **not** intend to address what may be fairly complex legal and rate design questions **now**, but rather to consider all of these issues at the time such a proposal is actually submitted. TURN respectfully submits that this is a far better course than attempting to resolve *in this proceeding* a set of legal and practical issues that may never actually arise. It would be a waste of the Commission’s and the parties’ resources to devote precious time now to debating a hypothetical scenario, unless and until that scenario becomes a reality.

TURN appreciates the opportunity to offer these comments to the Commission.

Respectfully submitted,

THE UTILITY REFORM NETWORK

February 28, 2008

By: /S/

Michel Peter Florio
Senior Attorney

CERTIFICATE OF SERVICE

I, Larry Wong, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On February 28, 2008 I served the attached:

COMMENTS OF THE UTILITY REFORM NETWORK

ON THE DRAFT TIMETABLE AND RATE GUIDANCE

on all eligible parties on the attached lists to **A.06-03-005**, by sending said document by electronic mail to each of the parties via electronic mail, as reflected on the attached Service List.

Executed this February 28, 2008, at San Francisco, California.

_____/S/_____

Larry Wong

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